

Public Service Commission of Wisconsin
Direct Testimony of Kristy E. Nieto
Division of Water, Compliance and Consumer Affairs

Wisconsin Energy Corporation
Docket 9400-YO-100

January 14, 2015

1 Q. Please state your name, business address, and occupation.

2 A. My name is Kristy Nieto. I am a Consumer Affairs Policy Analyst in the Division of
3 Water, Compliance and Consumer Affairs at the Public Service Commission of Wisconsin
4 (Commission), located at 610 North Whitney Way, Madison, Wisconsin 53705.

5 Q. Please describe your educational background and professional experience.

6 A. As a Consumer Affairs Policy Analyst with the Commission, I work to develop and
7 interpret agency consumer protections related to billing, disconnections, collections, and
8 rules related to the provision of service to low-income households and customers who
9 would otherwise be considered to be vulnerable. I have held my current position since
10 October 20, 2013. In this position, I have provided compliance guidance to utility
11 management, conducted customer service trainings for utility management, performed
12 regulatory research, prepared testimony in rate cases, and investigated consumer
13 complaints and requests to the Commission for formal review of complaints. I also
14 regularly review data submitted by electric and gas utilities related to credit and
15 collections, disconnections, call center performance, and customer satisfaction, in order
16 to identify emerging issues that may impact consumers.

17 Prior to my experience at the Commission, I was employed by the state of
18 Wisconsin Department of Agriculture, Trade and Consumer Protection, Bureau of
19 Consumer Protection (Bureau), as a Senior Communication Specialist. At the Bureau,

1 I conducted trainings on over 30 administrative codes and statutes involving consumer
2 protections, sales, billing, and low-income issues for consumers and groups statewide.
3 This work also included investigating consumer complaints, training staff at external
4 agencies, and drafting department news releases. My area of specialization within the
5 Bureau was identifying issues affecting Latino consumers and acting as a liaison with the
6 Bureau to develop policies and procedures to address emerging consumer issues.

7 I graduated *summa cum laude* from Hamline University in 2007 with a Bachelor
8 of Arts degree in Spanish and Professional Writing. I earned a Master of Arts degree
9 from the University of Wisconsin-Madison in Spanish and Linguistics in 2010. I am also
10 certified in the state of Wisconsin as a court interpreter.

11 Q. What is the purpose of your testimony in this proceeding?

12 A. With respect to the application of Wisconsin Energy Corporation (WEC or Applicant) to
13 acquire Integrys Energy Group, Inc. (Integrys Energy) (Transaction), the purpose of my
14 testimony is to provide a brief summary of the potential costs and risks of the Transaction
15 from a consumer affairs perspective. I specifically address customer service operations
16 and low-income customer programs at Wisconsin Public Service Corporation (WPSC)
17 and We Energies¹ (collectively, Wisconsin Operating Companies). I will also suggest
18 benefits to customers and the public and other commitments that the Applicant could
19 agree to that might offset the potential costs and risks of the Transaction.

20 Q. How is the remainder of your testimony organized?

21 A. My testimony is divided into the following sections:

¹ “We Energies,” a trade name, includes the following of the Wisconsin Operating Companies: Wisconsin Electric Power Company (WEPCO), Wisconsin Electric Gas Operations (WEGO), and Wisconsin Gas LLC (WG).

- 1 • **CUSTOMER SERVICE STATUTES AND REGULATIONS,**
2 addressing how the provision of customer service by the Wisconsin
3 Operating Companies may be impacted by the Transaction.
- 4 • **UTILITY LOW-INCOME PROGRAM REQUIREMENTS,**
5 addressing the potential impacts of the Transaction on the low-income
6 customer programs currently operated by the Wisconsin Operating
7 Companies.
- 8 • **GAS EMERGENCY RESPONSE REQUIREMENTS,** addressing how
9 the Wisconsin Operating Companies' gas emergency response times
10 would be impacted by the Transaction.
- 11 • **SIGNIFICANT INVESTMENTS IN CUSTOMER SERVICE**
12 **SOFTWARE,** addressing the manner in which the adoption of new
13 customer service technology post-merger at the operating company level
14 could affect customer service and collection policies, potentially leading to
15 an increase or decrease in customer complaints to the Commission.
- 16 • **CHARITABLE DONATIONS,** addressing the manner in which
17 customers and the public might benefit from the Applicant's stated
18 commitment to good corporate citizenship, including the shareholders'
19 significant charitable contributions in Wisconsin.

20 I offer conclusions and alternatives at the end of each section.

21 Q. Will you be sponsoring any exhibits in your testimony?

22 A. Yes. I will be sponsoring the following:

- 23 • Ex.-PSC-Nieto-1: Full text of referenced data requests and responses.
- 24 • Ex.-PSC-Nieto-2: Business case cost analysis of We Energies' Revised
25 Low-Income Program, from the Final Report of the Low Income Task
26 Force.

27 **CUSTOMER SERVICE STATUTES AND REGULATIONS**

28 Q. What is the purpose of your testimony related to customer service operations?

29 A. The purpose of this section of my testimony is to address the potential impacts the
30 Transaction may have on customers from the standpoint of utility practices and each
31 company's customer service operations. Specifically, I will address each utility's

1 compliance with customer service statutes and regulations and how such compliance may
2 be affected by the Transaction.

3 Q. What current statutes and regulations is a utility required to follow related to the customer
4 service operations?

5 A. Wisconsin Stat. § 196.03(1) requires a public utility to furnish reasonably adequate
6 service and facilities. To implement this requirement, Wis. Admin. Code § PSC
7 113.0503 requires an electric utility to maintain sufficient employees and equipment to
8 achieve an average speed of answer of customer telephone calls of not more than 90
9 seconds. This section also requires an electric utility to give emergency calls the highest
10 priority. To assess the utility's provision of customer service, each large investor-owned
11 utility is also required by Wis. Admin. Code § PSC 113.0609 to fund an independent
12 study to survey customers for information related to customer satisfaction and new
13 services or alterations desired by customers.

14 Q. What primary factors affect the number of employees and equipment necessary to meet
15 these average speed of answer requirements?

16 A. A utility's average speed of answer is affected by a number of factors including: the
17 staffing available to answer customer calls and the average length of each call; the call
18 volume generated by the utility's collection activities, such as disconnection notices and
19 disconnections; the effectiveness of the utility's website and automated phone system to
20 manage routine customer questions and payments; and weather related trends.

21 Q. Do call volumes follow any seasonal trends?

22 A. Yes. Call volumes generally increase between the months of April and November due to
23 the utility's collection activities. In response to Commission staff data requests, We

1 Energies and WPSC provided monthly call volume information. This data is presented in
2 Schedule 1 of Ex.-PSC-Nieto-1. The data shows that for both utilities, the highest call
3 volumes occurred between the months of April and November for 2011, 2012, and 2013.

4 Q. Do We Energies and WPSC provide additional customer service staffing in response to
5 increased call volume during these months?

6 A. Yes. In response to Commission staff data requests, We Energies and WPSC provided
7 monthly customer service staffing levels. (Ex.-PSC-Nieto-1, Schedule 1). This data
8 shows that for both utilities, the customer service staffing levels are higher during the
9 months of April to October.

10 Q. Are the customer service staff levels and equipment at We Energies sufficient to ensure
11 an average speed of not more than 90 seconds, as required by Wis. Admin. Code
12 § PSC 113.0503?

13 A. In response to Commission staff data requests, both We Energies and WPSC provided
14 information regarding their respective average speed of answer compliance. (Ex.-PSC-
15 Nieto-1, Schedule 2). The data provided by We Energies shows that the utility
16 maintained sufficient employees and equipment to achieve an average speed of answer of
17 not more than 90 seconds in the customer service centers in 2011 and 2012. However, in
18 March, April, and May 2013, We Energies did not meet this requirement. The data
19 provided by We Energies also shows the average speed of answer for emergency calls
20 fluctuated significantly. However, with only a limited number of exceptions, emergency
21 calls to We Energies generally had a lower average speed of answer than calls to the
22 customer service center. We Energies attributes some of the fluctuation in emergency
23 call answer time to storm activity that impacted a significant number of customers.

1 Q. Are the customer service staff levels at WPSC sufficient to ensure an average speed of
2 answer of not more than 90 seconds, as required by Wis. Admin. Code § PSC 113.0503?

3 A. The data provided by WPSC shows that the utility maintained sufficient employees and
4 equipment to achieve an average speed of answer of not more than 90 seconds in the
5 Ashwaubenon customer service center in eight months in 2011, every month in 2012, and
6 eight months in 2013. However, in 2011, this requirement was not met in the months of
7 June, July, September, or October, and in 2013 this requirement was not met in the
8 months of May, June, September, and October. These months fall within the timeframe
9 when the utility generally experiences the highest call volumes. The data provided by
10 WPSC also shows the average speed of answer for emergency calls fluctuated
11 significantly. However, emergency calls to WPSC generally had a lower average speed
12 of answer than calls to the customer service center.

13 Q. Are changes to customer service operations that may impact call volumes and average
14 speed of answer likely to occur if the Transaction is approved?

15 A. In its initial application, WEC stated that the Transaction will create opportunities to
16 achieve savings through economies of scale, joint resource planning, the adoption and
17 implementation of best practices, efficiencies in operations, and sharing of administrative
18 and other service costs over a larger organization, among others. However, in response to
19 Commission staff data requests regarding changes to customer service operations, WEC
20 indicated that it believes the ability to drive down costs in certain areas is an intrinsic
21 benefit of the economies of scale of a larger company. WEC stated that it has not
22 developed a plan for realizing such financial benefits. (Ex.-PSC-Nieto-1, Schedule 3).

1 Q. What are the potential consequences of an integration of We Energies' and WPSC's
2 customer service operations to shareholders, employees, and customers?

3 A. An integration of We Energies' and WPSC's customer service operations would likely
4 financially benefit shareholders, due to cost savings resulting from economics of scale
5 and implementation of best practices across a larger operation. An integration may result
6 in a reduction in the overall number of employees working in the customer service area.
7 In its application, WEC notes that it will continue to honor existing labor agreements and
8 expects the vast majority of reductions in staffing levels resulting from the Transaction
9 will come through attrition and voluntary severance over time. However, it is uncertain
10 whether an integration of We Energies' and WPSC's customer service operations would
11 benefit or harm utility customers. While a larger customer service operation may result
12 in a more consistent level of customer service and the adoption of best practices, the
13 increased call volumes and potentially reduced staffing levels may result in higher
14 average speed of answer times during peak periods. As I explain in more detail in the
15 "Utility Low-Income Program Requirements" section of my testimony, an integration
16 may adversely impact low-income programs due to decreased employee awareness of
17 outside resources specific to the counties served by the utility.

18 Q. As no plans have been developed for consolidating customer service operations or
19 realizing financial benefits in this area resulting from economics of scale, has WEC
20 agreed to obtain Commission approval prior to combining customer service operations?

21 A. No. In a data request, Commission staff asked if WEC would agree to accept an
22 uncontested Commission acquisition condition that would order the company to submit
23 to the Commission for approval prior to implementation, any plans to combine any of We

1 Energies' or WPSC's customer service call center operations. The purpose of this
2 condition was to ensure that the strong commitment each company has to customer
3 service is not adversely affected by the Transaction. WEC declined to agree to this
4 condition stating that it is premature to discuss how a combination might be
5 accomplished. (Ex.-PSC-Nieto-1, Schedule 4).

6 Q. How would the Transaction affect each utility's compliance with the statutes and
7 regulations related to customer service operations?

8 A. The Transaction is unlikely to have short-term implications on each utility's compliance
9 with the statutes and regulations related to customer service operations, but the
10 Transaction may affect compliance over time. The Applicants have stated that the
11 development and execution of any integration plans that affect customer service levels
12 would likely happen over a period of time, after an analysis is performed of the benefits
13 and costs required to achieve an integration. However, any decrease in customer service
14 employees over time resulting from an integration, whether by attrition or other
15 measures, may have an adverse effect on each utility's ability to comply with average
16 speed of answer requirements or to give priority to emergency calls.

17 Q. Do you have any suggestions for avoiding potential negative effects of the Transaction on
18 customer service operations?

19 A. In its application, WEC stipulated that before filing for approval of any legal merger of
20 utilities or "levelization" of rates between utilities, WEC will confer with Commission
21 staff and other affected parties. Commission staff notes both We Energies and WPSC
22 have a long history of working with the Commission to ensure a high level of customer

1 service especially when changes to policies or procedures may result in additional
2 complaints from customers to the Commission.

3 A combination of the customer service operations may result in financial benefits
4 to WEC through economies of scale, and entails significant risks to the customer service
5 provided to utility customers, without guaranteeing customers any concrete benefits. The
6 Commission could consider including a condition requiring WEC to submit to the
7 Commission for approval, prior to implementation, any plans to combine any of We
8 Energies' or WPSC's customer service call center operations. Alternatively, the
9 Commission may wish to include a condition requiring WEC to notify the Commission if
10 the number of permanent customer service employees at any of the call centers decreases
11 by 10 percent or more from 2013 levels.

12 Q. Do you have any suggestions to ensure the average speed of answer of customer calls is
13 not impaired if the Transaction is approved?

14 A. With regard to the average speed of answer of customer calls, the Commission could
15 include a condition requiring WPSC to maintain sufficient employees and equipment to
16 achieve an average speed of answer of not more than 90 seconds, as required by Wis.
17 Admin. Code § PSC 113.0503. As the utility is already required to meet this standard,
18 and has failed to do so in four months in 2011 and four months in 2013, the Commission
19 may view it as appropriate that the utility develop and submit to the Commission a plan
20 for how WPSC would ensure that this requirement will be achieved.

21 **UTILITY LOW-INCOME PROGRAM REQUIREMENTS**

22 Q. In general terms, please provide an explanation of the term Low-Income Program (LIP).

1 A. These programs are funded by ratepayers and are intended to assist low-income
2 customers to maintain utility service. There are four essential issues that low-income
3 energy assistance programs typically target: customer payments, customer arrearages,
4 customer usage, and continuation of service. The performance and scope of these
5 programs impact rates and also impact individual customers who may not have the means
6 to access gas and electric service without additional assistance. The LIPs offered by both
7 We Energies and WPSC stand out as successful in producing the benefits mentioned
8 above.

9 Q. Are utility companies in Wisconsin required to maintain LIPs?

10 A. Yes. Wisconsin Admin. Code § PSC 113.0505 provides that an electric utility must
11 maintain an LIP and must report to the Commission on the performance of the LIP and
12 other requested data in order to mitigate energy hardships and assure reliable, affordable,
13 utility service.

14 Q. Are you aware of any existing cost-benefit analysis of any of We Energies' or WPSC's
15 LIPs?

16 A. Yes. The costs and benefits of We Energies' Revised Low Income Pilot (RLIP) were
17 examined in docket number 5-GF-144, and the analysis performed demonstrated to the
18 Commission that programs targeting low income customers can produce financial
19 benefits for ratepayers by decreasing the utility's net operational costs per participant.
20 Per the analysis, ratepayers saw a net financial benefit of approximately \$450,000 in
21 2011, or a net reduced cost per participant of approximately \$150.

22 As an additional program benefit, RLIP customers were shown to maintain
23 connected service and to continue to make monthly payments. The RLIP stabilized

1 participants' payment behaviors and, as a result, reduced the number contacts to or from
2 the utility (*e.g.*, payment requests, disconnection notices), allowing the resources to be
3 redirected to other customers. (Ex.-PSC-Nieto-2).

4 Q. How would you characterize the level of need for low-income utility bill assistance in the
5 respective service territories of We Energies and WPSC?

6 A. Both companies have large footprints in the state of Wisconsin, and serve ratepayer bases
7 having diverse socioeconomic compositions; therefore, any brief summary of the
8 socioeconomic characteristics of the service territories could not adequately and
9 accurately portray the complex economic conditions in the regions. However, it may be
10 helpful to note that in order for customers to qualify for most LIPs, a customer would
11 generally be required to qualify for Wisconsin Home Energy Assistance Plus (WHEAP,
12 or Energy Assistance) benefits, which are administered by the Wisconsin Department of
13 Administration, Division of Energy Services.

14 The data presented in Schedule 5 of Ex.-PSC-Nieto-1 provides a general snapshot
15 of the number and percentage of residential customers who have historically applied for
16 and received Energy Assistance in each of the service territories, as well as the funds that
17 have been disbursed to the companies. In 2013, the total number of We Energies
18 residential accounts that received Energy Assistance was 124,942. This was
19 approximately 10.0 percent of residential customers. The total number of WPSC
20 residential customers that received Energy Assistance in 2013 was 36,572, or
21 approximately 7.9 percent.

22 Q. Please explain why the Wisconsin Operating Companies' Low-Income Programs are a
23 relevant concern in this proceeding.

1 A. In data request PSCW-4.02, Commission staff asked the applicant how the Transaction
2 might impact the Wisconsin Operating Companies' LIPs, namely, We Energies' Revised
3 Low-Income Pilot (RLIP) and Early Identification Program (We Energies' EIP), and
4 WPSC's Early Identification Program (WPSC's EIP) and Fresh Start Forgiveness
5 Program. WEC responded that it anticipates that the LIPs will be operated under the
6 post-merger entity, WEC Business Services (WBS), which is currently Integrys Business
7 Support, LLC (IBS). The Applicant states it does not anticipate any material changes to
8 benefits of the programs or eligibility criteria. (Ex.-PSC-Nieto-1, Schedule 5). However,
9 as the Applicant has not provided integration plans, stating that such planning has not
10 commenced, Commission staff cannot evaluate how such plans would impact the LIPs as
11 a part of the current proceedings. Commission staff, therefore, can only speculate as to
12 potential concerns should such planning commence. Wisconsin Admin. Code § PSC
13 113.0505(1) requires utilities to educate internal staff so that they understand low-income
14 households and are aware of services offered by the utility and outside resources. In a
15 service company like WBS, staff may be less aware of utility and county specific
16 programs and resources available to assist utility customers, as well as issues in the local
17 communities. The Commission may wish to require that these issues be reviewed by
18 Commission staff in the future, should such planning commence, before any combination
19 is complete. Therefore, Commission staff, in data request PSCW-15.04, asked the
20 Applicant if it would accept a merger condition that required the company to submit to
21 the Commission for approval prior to implementation, any plans to transition any of We
22 Energies' or WPSC's Low Income Programs to a different operating entity, or to
23 combine any of the LIPs' operations or offerings. The Applicant declined to accept the

1 condition, stating its position that such a condition would be premature and unnecessary.
2 (Ex.-PSC-Nieto-1, Schedule 6).

3 Q. Do you have any proposals related to potential Transaction conditions that might mitigate
4 any potential risks of the Transaction on the success of the LIPs administered by We
5 Energies and WPSC?

6 A. Yes. If the Commission does not agree with the Applicant's position that such discussion
7 is premature, it may wish to consider requiring WEC to submit to the Commission for
8 approval any plans to transition any LIPs to a different operating entity or to combine any
9 of the LIPs' operations or offerings, before implementing the plans. Alternatively, WEC
10 might be required to notify the Commission of any plans to transition any of the LIPs to a
11 different operating entity or to combine any of the LIPs' operations or offerings, 60 days
12 before implementing the plans. Or, as a third alternative, the Commission may choose to
13 direct Commission staff to review the programs in future rate cases. The aim would be to
14 ensure that the programs continue to produce optimal benefits for ratepayers, provide the
15 required assistance, and address the unique collection challenges and socioeconomic
16 conditions present in the respective service territories of We Energies and WPSC.

17 **GAS EMERGENCY RESPONSE REQUIREMENTS**

18 Q. How quickly is We Energies required to respond to emergency gas leaks?

19 A. In the March 15, 2000, Final Decision in the WICOR acquisition, dockets 9401-YO-100
20 and 9402-YO-101, the Commission stated that WG was required to respond to
21 emergency gas leaks in an average of 21 minutes or less in its southeast service territory,
22 and 31 minutes in its district operations areas. The Commission required WEGO to meet

1 these standards for comparable areas in its service territory. We Energies remains subject
2 to these requirements today.

3 Q. How quickly does WPSC respond to emergency gas leaks?

4 A. WPSC has an internal operational target of 25 minutes for the average gas leak response
5 time over all of its service territory. The utility has indicated that due to the
6 predominately rural nature of its service territory decreasing response times would result
7 in increased costs.

8 Q. Has WPSC agreed to work in cooperation with Commission staff to develop a plan to
9 meet the natural gas emergency response time standards currently imposed on We
10 Energies?

11 A. Yes. WPSC, responding independently to Commission staff's data request, agreed to
12 accept a condition or order point requiring WPSC to cooperate with Commission staff on
13 a study of WPSC's gas emergency response process. (Ex.-PSC-Nieto-1, Schedule 7).

14 Q. Do you have proposals with regard to addressing emergency gas leak situations in the
15 context of the Transaction?

16 A. Yes. If the Transaction is approved, the Commission could decide to include a condition
17 or order point requiring WEC, and specifically, post-merger WPSC, to cooperate with
18 Commission staff on a study of WPSC's gas emergency response process. Within six
19 months of the closing of the transaction, this joint study group will report back to the
20 Commission on the following subjects: (1) how WPSC's service territory could be
21 separated between urban and other district operation areas for the purpose of
22 differentiating response time standards; (2) what gas emergency response time standards
23 are appropriate for WPSC in each of its urban and district operations service territories,

1 and which standards may be different from the WEC and WG standards; (3) what
2 reasonable, cost-effective steps could be taken to optimize gas emergency response times
3 in WPSC's service areas, and (4) a plan for how WPSC would implement its proposed
4 new gas emergency response time standards and the operational changes necessary for it
5 to meet those standards, including rate recovery of the associated costs.

6 WPSC has indicated that it would accept this condition.

7 **SIGNIFICANT INVESTMENTS IN CUSTOMER SERVICE SOFTWARE**

8 Q. What significant investments or upgrades has WEC made to its customer service
9 software?

10 A. In response to Commission staff data requests, both WEC and Integrys Energy provided
11 information regarding their respective investments in customer service software.
12 (Ex.-PSC-Nieto-1, Schedule 8). WEC's response indicates the customer information
13 system used by the utility was initially implemented by Wisconsin Electric in 1998 and
14 was modified in 2001 as part of the Wisconsin Gas merger. In the last three years, major
15 extensions to the customer information system include: a pay plan wizard to assist staff in
16 establishing payment agreements with customers; an Internet application that provides
17 customers with the ability to view and pay bills online; and a customer interaction center.
18 WEC is also implementing a move order wizard to streamline start, stop, and transfer
19 orders. WEC's response to the data request estimated that the combined cost of these
20 four extensions total approximately \$24.2 million and more than 72,000 work hours.

21 Q. What significant investments or upgrades has Integrys Energy made to its customer
22 service software?

1 A. In response to Commission staff data requests, Integrys Energy indicated that the
2 organization and resources have primarily been focused on the Integrys Customer
3 Experience (ICE) project that is planned to provide a common process model and single
4 billing system for all Integrys Energy regulated utilities. This project alone is estimated
5 to cost approximately \$87 million and more than 772,814 work hours. WPSC estimates
6 that this system can be used for at least 15 years. In addition to the ICE project, Integrys
7 Energy is implementing a large customer billing optimization, a customer interaction
8 telephony platform, and various website and customer notification projects. These
9 additional investments are estimated to cost approximately \$12.1 million and more than
10 9,200 work hours. (Ex.-PSC-Nieto-1, Schedule 9).

11 Q. Are these investments and upgrades likely to result in cost savings or enhanced customer
12 service?

13 A. Both WEC and Integrys Energy stated that these investments and upgrades will result in
14 cost savings and enhanced customer service. WEC stated that its upgrades will
15 streamline user interfaces, provide customers with increased payment options, and drive
16 internal productivity and consistency. Integrys Energy stated that its significant
17 investments in the ICE project and other projects will improve the customer experience,
18 increase employee productivity, and allow integrated customer service operations to be
19 performed at lower operating costs. WEC and Integrys Energy did not quantify the cost
20 savings that are predicted as a result of these investments and upgrades.

21 Q. Are any of these investments and upgrades likely to result in changes to customer service
22 policies?

1 A. Yes. WPSC has indicated that the ICE project will result in some customer service
2 policy changes that benefit customers, such as increased self-service options through the
3 web and automated phone system, improved complaint resolution, and a higher rate of
4 resolution of issues on the first call. Some resulting policy changes may be considered
5 undesirable from a customer view, such as the application of deposits to new subsets of
6 customers and sending final bill balances to collection agencies 30 days sooner. We
7 Energies has indicated that no customer service policies were changed as a result of the
8 implementation of its new software.

9 Q. Are benefits and policy changes associated with the ICE project likely to be realized by
10 WEC as a result of this Transaction?

11 A. While WEC indicated it has not yet developed an integration plan for realizing financial
12 benefits from the economies of scale that would result from the Transaction, some of the
13 best practices and efficiencies developed through the implementation of the ICE project,
14 such as Integrys Energy's staff experience, may be transferable to WEC. In addition to staff
15 experience, the ICE project is intended to result in a common process model and single
16 billing system for all Integrys Energy regulated utilities. As WEC's customer information
17 system was initially implemented in 1998, the costs savings associated with the ICE project
18 may be amplified if WEC implemented part or all of the software for the larger
19 organization. In addition, if the increased functionality resulting from the ICE project is
20 adopted by WEC, some or all of the customer service policy changes may be standardized
21 between the companies.

22 Q. Do you have any recommendations with regard to the implementation of the ICE Project
23 as a potential post-merger concern?

1 A. I would note that both We Energies and WPSC have a long history of working with
2 Commission staff whenever any customer service policy changes are being considered
3 that may result in increased customer complaints to the Commission. Consistent with
4 that history, I propose that WEC be required to notify the Commission if it develops any
5 plans to implement part or all of the software developed through the ICE project, or some
6 or all of the customer service policy changes proposed by WPSC. WEC should provide
7 such notice within 30 days of the plan being developed, or at least 30 days prior to any
8 customer service policy changes.

9 CHARITABLE DONATIONS

10 Q. Please explain why the current proceeding is the appropriate forum in which to discuss
11 the applicant's voluntary contributions to local and regional charitable organizations.

12 A. The Applicant asserts that its history of charitable giving and good corporate citizenship
13 is a benefit of the Transaction. This is a relevant assertion—Wis. Stat. § 196.795(3)
14 provides that the Commission must determine that the Transaction is in the best interest
15 of the public, in addition to utility customers and investors, in order for the acquisition to
16 close. Additionally, there is ample precedent of charitable donation requirements being
17 placed as conditions on mergers and acquisitions in other jurisdictions.²

18 Q. Has the issue of charitable contributions been raised in any of the concurrent proceedings
19 in this case in other jurisdictions?

² See, e.g., Order, *In the Matter of the Merger of Exelon Corporation and Constellation Energy Group, Inc.*, No. 9271 (MD PSC Nov. 8, 2012); Order, *Application of Duke Energy Corporation and Progress Energy, Inc. to Engage in a Business Combination Transaction and Address Regulatory Conditions and Codes of Conduct*, No. E-2 Sub. 998 and No. E-7 Sub. 986 (NC PUC Jun. 29, 2012).

1 A. Yes. In Michigan, WEC committed to maintaining existing levels of charitable
2 contributions.³ In Illinois, WEC committed to “honoring the gas companies’ existing
3 philanthropic pledges, and thoughtfully considering future charitable requests,” and
4 proposed this commitment as a condition that the Illinois Commerce Commission could
5 place on the merger.⁴

6 Q. Has the Applicant offered informally to maintain contribution levels in Wisconsin?

7 A. Yes. In a presentation given to the Public Service Commission of Wisconsin
8 (Commission) on August 1, 2014, the Applicant offered that “[c]haritable contributions
9 and community involvement [will] be maintained at historic levels.” (Ex.-PSC-Nieto-1,
10 Schedule 10).

11 Q. Is the maintenance of charitable contributions at historic levels listed in the initial
12 application as one of the “proposals which it would be reasonable for the Commission to
13 include, in an appropriate form, as conditions for approval of the Transaction”?

14 A. No.

15 Q. What are the historic levels of charitable contributions?

16 A. The applicant provided Commission staff with charitable contribution levels for the
17 previous three years. (Ex.-PSC-Nieto-1, Schedule 11). The table below provides a
18 general summary overview of the data discovered related to contributions:
19

³ Direct testimony of Mr. Scott J. Lauber in Michigan Public Service Commission case no. U-17682, page 16.

⁴ Direct testimony of Mr. John J. Reed in Illinois Commerce Commission docket no. 14-0496.

Table 1: Summary of Shareholder Charitable Donations 2011 – 2013
From Data Response PSCW 16.01 and PSCW 16.02

Providing Entity	Purpose of Donations	Total \$ Donated 2011	2012	2013
WEC	Local arts, culture, and education	\$500,000	--	\$350,000
WEPCO	Energy assistance, regional economic development and environmental funds	\$1,000,000	\$4,998,901	\$2,500,000
WPSC	Wisconsin Public Service Foundation; community events; regional economic development; membership in chambers of commerce	\$1,180,958	\$1,184,263	\$1,285,413

Additionally, WEC provided information that its We Energies Foundation (Foundation) grants are discretionary donations funded by shareholders. WEC provided the following data regarding its Foundation grants:

- In 2011, The Foundation issued grants totaling more than \$9.0 million.
- In 2012, The Foundation issued grants totaling more than \$7.7 million.
- In 2013, The Foundation issued grants totaling more than \$7.2 million. (Ex.-PSC-Nieto-1, Schedule 11).

Q. Do you have proposals with regard to charitable donations providing a benefit to the public or being in the public's best interest?

A. Yes. The charitable donations summarized above are discretionary, voluntary contributions that are not subject to recovery from ratepayers. However, there is precedent for commissions to include approval conditions requiring specific donation levels for a set number of years after the closing of an acquisition, in order to offset some of the future potential costs to the public and to customers. The issue has been raised by the Applicant in Illinois, where it has offered to maintain contributions as a condition of the Transaction. The Commission may determine that a merger condition involving a shareholder commitment to maintain or increase contributions to charitable and energy

1 assistance organizations would provide concrete, immediate relief to the public that could
2 offset any future potential public costs of the Transaction.

3 Q. Does this conclude your direct testimony?

4 A. Yes.

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